1995 cost allocation is $310,000 based on an estimated volume of 62,000 active 64 Kbps circuits or equivalent. For FY 1995, we are proposing an annual regulatory fee of $5.00 for each active 64 Kbps circuit or equivalent. For analog television channels we will assess fees as follows:

Analog Television Channel Size in MHz	No. of equivalent 64 Kbps Circuits
36	630
24	288
18	240

See Appendix G. for a description of the development of the fees for international bearer circuits. See FY 1994 Order, Appendix B at para. 45.

g. Inter-exchange and Local Exchange Carriers, Competitive Access Providers, Pay Telephone Providers, and other non-mobile providers of interstate service.

54. In the FY 1994 Order, we adopted the fees and calculation methodology for Inter-Exchange Carriers (IXCs), Local Exchange Carriers (LECs) and Competitive Providers (CAPs) contained in the section 9(g)'s fee schedule. We rejected proposals to modify the fee schedule because Congress intended us to adopt that schedule in its entirety for FY 1994. Under the statutory schedule, CAPs are assessed fees based upon their number of subscribers. As a consequence, some CAPs filed very small fee payments because they serve only a few subscribers even though these subscribers are large entities with heavy communications requirements.

55. Several of the commenters in the FY 1994 proceeding urged that we extend the fee requirement to other providers of interstate communications services, including resellers, in addition to those subject to a fee requirement under the statutory fee schedule. We declined to do so. However, we stated that we would review the fee schedule to determine if other carriers should be subject to the regulatory fee requirement for FY 1995.

56. We now believe that resellers and other carriers providing interstate services subject to our jurisdiction and directly benefitting from our regulation of the interstate network should be subject to a regulatory fee payment. In particular, we are cognizant that our decisions requiring facilities based carriers to eliminate any restrictions on the resale and sharing of their interstate private line communications services and facilities and our continuing market surveillance has fostered the growth of a strong communications resale industry. In opening up the interstate network to resellers, we asserted our jurisdiction over their activities pursuant to Title II of the Communications

Act.[19] We believe that carriers subject to our regulation should bear the costs of that regulation. For these reasons, we are proposing, as described below, to subject any carrier, whether facilities based or reseller, using the interstate network to a regulatory fee payment.

57. We propose to expand the schedule of fees for carriers to include not only IXCs, LECs and CAPs, but also domestic and international carriers that provide operator services, WATS, 800, 900, telex, telegraph, video, other switched, interstate access, special access, and alternative access services either by using their own facilities or by reselling facilities and services of other carriers or telephone carrier holding companies, and companies other than traditional local telephone companies that provide interstate access services to long distance carriers and other customers.[20]

58. The FY 1995 cost allocation for this category is $39,000,000, resulting from the mandatory adjustment of the Commission's FY 1994 revenue requirement under the statutory fee schedule. <u>See</u> Appendix G. Because our proposal and a proposed alternative method of calculating fees for the carrier category, represent a significant modification of the method in which regulatory fees are calculated, interested parties are requested to file comments concerning the most efficient and equitable method for assessment of regulatory fees.

59. We propose to calculate carrier fees based on the number of customer units, <u>i.e.</u>, the number of users of a service, provided by a carrier as of December 31, 1994. For access service provided by local exchange carriers, the number of customer units would equal the number of presubscribed lines as described in

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[19] <u>See</u> <u>Resale and Shared Use of Common Carrier Services</u>, 60 FCC Rcd 2d 588, 600 (1977)(In addition to allowing resellers to obtain lines from facilities based carriers, we declared that "'[resale carriers],' whether they be brokers or value added carriers ... , are equally subject to the requirements of Title II of the Communications Act."); <u>see also</u> <u>American Tel & Tel. Co. v. F.C.C.</u>, 978 F.2d 727, 735 (D.C. 1992)(finding that resellers and other nondominant carriers must file tariffs and offer their services pursuant to just, reasonable and nondiscriminatory rates and practices pursuant to sections 201 and 202 of the Act.) Resellers currently are subject to filing fees pursuant to section 8 of the Act.

[20] A holding company may combine fee payments of its operating companies and pay their combined fees for a particular service in a single combined payment or by installments, if the aggregate of their fees in a single service qualifies the holding company to make installment payments.

Section 69.116 of the Commission's Rules. For pay telephone service, the number of customer units would equal the number of pay telephones used as the basis for pay telephone compensation. For MTS provided by pre-selected interexchange carriers, the number of customer units would equal the number of presubscribed lines as described in Section 69.116 of the Commissions Rules. For other switched services, such as MTS, WATS, 800, 900 and operator service not billed to the number from which the call is placed, the number of customer units would equal the number of billing accounts less those accounts already associated with presubscribed lines reported by the carrier. For non-switched services, including service provided by CAPs, special access, and private (alternative access) line providers, the number of customer units would be based on the total capacity provided to customers measured as voice equivalent lines. For this purpose, 4 Khz or 64 Kbps equivalents would equate to one voice equivalent line. Dividing the $39,000,000 cost allocation by an estimated 300,000,000 customer units[21] results in a fee of $.13 per customer unit.

60. In addition, as an alternative to the fee structure described above, we are proposing to base our carrier fees on the number of minutes of interstate service in calendar year 1994. For access service provided by local exchange carriers, the number of interstate minutes would equal the number of originating and terminating access minutes. For interstate service upon which access charges are paid, the number of minutes would equal the number of originating and terminating access minutes. For other interstate services billed based on timed usage, the number of minutes would equal the number of billed minutes. For interstate services not billed on the basis of timed usage, minutes would be estimated as the billed revenue in dollars times 10. This represents a cross-over assumption that customers would substitute ordinary MTS for any service which cost more than ten cents per minute. Hence, revenue in dollars times 10 represents a lower bound number of minutes. Dividing the $39,000,000 cost allocation by 508 billion minutes[22]

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[21] Local exchange carriers and toll carriers will each report a total of 142 million presubscribed lines. Allowing for 1/2 million privately owned pay telephone lines, 4 million special access lines, and approximately 5% resale and competitive access provision, it appears that carriers would report approximately 300 million customer units.

[22] There will be approximately 393 billion common carrier line access minutes in 1994 based on minutes reported for the first half of the year times 2. Adding 5% for resale results in 413 billion minutes. Based on 1992 published TRS Fund data, carriers provided nine and one half billion dollars of non-switched interstate service, which adds 95 million minutes to the

results in a fee of $.08 per 1000 minutes.

D. Procedures for Payment of Regulatory Fees

61. Generally, we propose to retain the procedures that we established in our FY 94 Report and Order for the payment of regulatory fees. Section 9(f) requires that we permit "payment by installments in the case of fees in large amounts, and in the case of small amounts, shall require the payment of the fee in advance for a number of years not to exceed the term of the license held by the payor." See 47 U.S.C. § 1559(f). Consistent with the section, we are again proposing three categories of fee payments, based upon the category of service for which the fee payment is due and the amount of the fee to be paid. The fee categories are 1) "standard" fees, 2) "large" fees, and 3) "small" fees.

1. Annual Payments of Standard Fees

62. Standard fees are those regulatory fees that are payable in full on an annual basis. Payers of standard fees are not required to make advance payments for their full license term and are not eligible for installment payments. All standard fees are payable in full on the date we establish for payment of fees in their regulatory fee category. The payment dates for each regulatory fee category will be announced either in the Report and Order in this proceeding or by public notice in the Federal Register following the termination of the proceeding.

2. Installment Payments for Large Fees

63. In our FY 1994 Order, we classified fees for several services at certain payment amounts and above as "large" fees, eligible to be paid by installment payments, and afforded eligible payers the opportunity to submit fees for these services in two equally divided payments.[23] We indicated, however, that based on our experience with the fee program, we would consider increasing eligibility to make installments payments. After gaining some experience, we are proposing to now lower eligibility for installment payments. Our decision to lower the eligibility threshold results from a determination that our payment processing system feasibly can handle a reasonable increase in the number of regulatees who pay in installments. Therefore, we propose to set the eligibility requirement at the lowest installment payment level permitted in FY 1994, $12,000, and propose that regulatees in any category of service with a

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total.

[23]See FY 1994 Order at paragraphs 39 through 45.

payment liability of $12,000 or more be eligible to make installment payments. Eligibility for payment by installment will be based upon the amount of either a single regulatory fee payment or a combination of fee payments by the same licensee or regulatee.

64. In our FY 1994 Order, we permitted payment of "large" fees in two installments and stated that for future years we would permit four installment payments by eligible regulatees. The limited time that will be available following completion of this proceeding and the required 90 day notification period to Congress of our amendments to the Schedule of Regulatory Fees following completion of this proceeding makes the use of four installment payments impractical for installment payers and unduly burdens our fee collection process. Therefore, we propose that regulatees eligible to pay by installment payments may submit their required fee in two equal payments (on dates to be announced in the Report and Order terminating this proceeding or in the Federal Register following the proceeding's termination), or, in the alternative, may submit a single full payment on the date that their final installment payment is due.

3. Advance Payments of Small Fees

65. We are proposing to treat regulatory fee payments by certain radio licensees as small fees subject to advance payments. Advance payments will be required from licensees of those services that we decided would be subject to advance payments in our FY 1994 Order.[24] Payers of advance fees will submit the entire fee due for the full term of their licenses when filing their initial, reinstatement or renewal application. Those subject to the fee payment pay the amount due for the current fiscal year multiplied by the number of years in the term of their requested license. In the event that the required fee is adjusted following their payment of the fee, the payor would not be subject to the payment of a new fee until filing an application for renewal or reinstatement of the license. Thus, payment for the full license term would be made based upon the regulatory fee applicable at the time the application is filed. Refunds will not be made in cases where the fee for a service is lower for FY 1995 than the fee paid under the FY 1994 fee

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[24] Applicants for new, renewal and reinstatement licenses in the following services will be required to pay their regulatory fees in advance: Land Mobile Services, Microwave services, Interactive Video Data Services (IVDS), Marine (Ship) Service, Marine (Coast) Service, Private Land Mobile (Other) Services, Aviation (Aircraft) Service, Aviation (Ground) Service, General Mobile Radio Service (GMRS). In addition, applicants for amateur radio vanity call signs will be required to submit an advance payment.

schedule. The Commission will announce by public notice in the Federal Register the effective date for the payment of small fees pursuant to the FY 1995 fee schedule.

4. Timing of Standard Fee Calculations and Payment Dates.

66. As noted, the date for payment of standard fees and installment payments will be published in the Federal Register. For licensees, permittees and holders of other authorizations in the Common Carrier, Mass Media, and Cable Services, whose fees are not based on a subscriber, line or circuit count, fees should be submitted for any authorization held as of October 1, 1994. As in our FY 1994 Order, we are proposing October 1 as the date to be used for calculating standard fees since it is the first day of the fiscal year and, therefore, current licensees subject to the fees would have benefited from our regulatory activities from the beginning of the period covered by the payment.

67. In the case of regulatees whose fees are based upon a subscriber, line or circuit count, we propose that the number of a regulatees' subscribers, licenses or circuits on December 31, 1994, will be used to calculate the fee payment. We have selected the last date of the calendar year because many of these entities file reports with us as of that date. Others calculate their subscriber numbers as of that date for internal purposes. Therefore, calculation of the regulatory fee as of that date will facilitate both an entity's computation of its fee payment and our verification that the correct fee payment has been submitted.[25]

IV. Procedural Matters

A. Comment Period and Procedures

68. Pursuant to the procedures set forth in sections 1.415 and 1.419 of the Commission's rules, interested parties may file comments on or before February 13, 1995 and reply comments on or before February 28, 1995. All relevant comments will be considered by the Commission before final action is taken in this proceeding. To file formally in this proceeding, participants must file an original and four copies of all comments, reply comments and supporting materials. If participants want each Commissioner to receive a personal copy of their comments, an

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[25] Cable systems should calculate their FY 1995 regulatory fees using the subscriber data to be submitted to the Commission in their 1994 Annual Report of Cable Television Systems (FCC Form 325). Accordingly, their number of subscribers will not necessarily be based on December 31, 1994, but rather on "a typical day in the last full week" of December 1994. (See FCC Form 325 Instructions.)

original and nine copies must be filed. Comments and reply comments should be sent to the Office of the Secretary, Federal Communications Commission, Washington, D.C. 20554. Interested parties, who do not wish to formally participate in this proceeding, may file informal comments to the same address. Comments and reply comments will be available for public inspection during regular business hours in the FCC Reference Center (Room 239) of the Federal Communications Commission, 1919 M Street, N.W., Washington, D.C. 20054.

B. *Ex Parte* Rules

69. This is a non-restricted notice and comment rulemaking proceeding. Ex parte presentations are permitted, except during the Sunshine Agenda period, provided they are disclosed pursuant to the Commission's rules. See 47 C.F.R. §§ 1.1202, 1.1203 and 1026(a).

C. Initial Regulatory Flexibility Analysis

70. As required by section 603 of the Regulatory Flexibility Act (Pub. L. No. 96-354, 94 Stat. 1165, 5 U.S.C. § 601 et seq. (1981), the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) of the expected impact on small entities of the proposals suggested in this document. The IRFA is set forth in Appendix A. Written public comments are requested with respect to the IRFA. These comments must be filed in accordance with the same filing deadlines for comments on the rest of the Notice, but they must have a separate and distinct heading, designating the comments as responses to the IRFA. The secretary shall send a copy of this Notice , including the IRFA, to the Chief Counsel for Advocacy of the Small Business Administration in accordance with section 603(a) of the Regulatory Flexibility Act.

D. Authority and Further Information

71. Authority for this proceeding is contained in sections 4(i) and (j, 9, and 303(r) of the Communications Act of 1934 as amended, 47 U.S.C. §§ 154(1) and (j) and 159 and 303(r).

72. Further information about this proceeding may be obtained by contacting Peter W. Herrick, Acting Associate Managing Director, Program Analysis at (202) 418-0443.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton

William F. Caton
Acting Secretary

APPENDIX A

Initial Regulatory Flexibility Analysis.

Reason for Action

This rulemaking proceeding is initiated to obtain comment regarding the Commission's proposed amendment of its Schedule of Regulatory Fees in order to revise its regulatory fees to collect $116,400,000, the amount that Congress has required the Commission to recover through regulatory fees in Fiscal Year 1995.

Objectives

The Commission seeks to collect the necessary amount through its proposed revised regulatory fees, as contained in the attached Schedule of Regulatory Fees, in the most efficient manner possible and without undue burden to the public.

Legal Basis

The proposed action is authorized under sections (4)(i) and (j), 9 and 303(r) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i) and (j), 159, and 303(r).

Reporting, Recordkeeping and other Compliance Requirements

The Commission has developed FCC Form 159 and FCC Form 159C for submission with regulatory fee payments. Also, the Commission has adopted implementation rules governing the payment of regulatory fees. See 47 C.R.R. § 1.1151 et seq.

Federal Rules that Overlap, Duplicate or Conflict with Proposed Rule

None.

Description, Potential Impact, and Number of Small Entities Involved

The proposed amendment of the Schedule of Regulatory Fees will affect permittees, licensees and other regulatees in the cable, common carrier, mass media, private radio and international services. After evaluating the comments in this proceeding, the Commission will further examine the impact of any fee revisions or additions or rule changes on small entities and set forth our findings in the Final Regulatory Flexibility Analysis.

Any Significant Alternatives Minimizing the Impact on Small Entities Consistent with the Stated Objectives

The Notice solicits comments on alternative methods of assessing the regulatory fees necessary to recover the $116,400,000 in costs that Congress has required us to recover through regulatory fees in FY 1995.

SCHEDULE OF REGULATORY FEES

Fee Category	Annual Regulatory Fee
WIRELESS RADIO	
Land Mobile (per license) (220-222 Mhz, above 470 Mhz, Base Station and SMRS) (47 CFR Part 90)	7
Microwave (per license) (47 CFR Part 94)	7
Interactive Video Data Service (per license) (47 CFR Part 95)	7
Marine (Ship) (per station) (47 CFR Part 80	3
Marine (Coast) (per license) (47 CFR Part 87)	3
General Mobile Radio Service (per license) (47 CFR Part 95)	3
Land Mobile (per license) (all stations not covered above)	3
Aviation (Aircraft) (per station) (47 CFR Part 87)	3
Aviation (Ground) (per license) (47 CFR Part 87)	3
Amateur Vanity Call Signs	3
Cellular/Public Mobile Radio (per subscriber) (47 CFR Part 22)	.13
MASS MEDIA	
AM Radio (47 CFR Part 73)	
Class A (Arbitron Market)	1,525
Class A (Non-Arbitron Market)	565
Class B (Arbitron Market)	850

Fee Category Mass Media (continued)	Annual Regulatory Fee
Class B (Non-Arbitron Market)	315
Class C (Arbitron Market)	340
Class C (Non-Arbitron Market)	125
Class D (Arbitron Market)	425
Class D (Non-Arbitron Market)	155
Construction Permits	120
FM Radio (47 CFR Part 73)	
Classes C, C1, C2, B (Arbitron Market)	1,525
Classes C, C1, C2, B (Non-Arbitron Market)	565
Classes A, B1, C3 (Arbitron Market)	1,025
Classes A, B1, C3 (Non-Arbitron Market)	375
Construction Permits	595
TV (47 CFR Part 73) VHF Commercial	
Markets 1-10	21,450
Markets 11-25	19,075
Markets 26-50	14,300
Markets 51-100	9,525
Remaining Markets	5,950
Construction Permits	4,775
TV (47 CFR Part 73) UHF Commercial	
Markets 1-10	17,150
Markets 11-25	15,250
Markets 26-50	11,450
Markets 51-100	7,625
Remaining Markets	4,775
Construction Permits	3,825
Terrestrial Satellite Television Stations (All Markets)	595

Fee Category Mass Media (continued)	Annual Regulatory Fee
Construction Permits - Tererrestial Satellite Television Stations	200
Low Power TV, TV/FM Translators & Boosters (47 CFR Part 74)	160
Broadcast Auxiliary (47 CFR Part 74)	30
Multipoint Distribution Service (per call sign) (47 CFR Part 21)	120
CABLE TELEVISION	
Cable Antenna Relay Service (47 CFR Part 78)	305
Cable Television Systems (per subscriber) (47 CFR Part 76)	.51
COMMON CARRIER	
Inter-Exchange Carrier (per customer unit)	.13
Local Exchange Carrier (per customer unit)	.13
Competitive Access Provider (per customer unit)	.13
Operator Service Provider/Pay Telephone Operators (per customer unit)	.13
Resellers (per customer unit)	.13
Other Interstate Providers (per customer unit)	.13
Domestic Public Fixed (per call sign) (CFR Part 21)	120
INTERNATIONAL	
Earth Stations (47 CFR Part 25)	
VSAT/Equivalent C-Band antennas/Mobile Satellite Earth Stations (per antenna)	.13
Earth Station Antennas - Transmit/Receive and Transmit Only (per meter)	185
Earth Station Antennas - Receive Only (per meter)	120
Space Station (per operational station in geosynchronous orbit) (47 CFR Part 25)	142,250
International Circuits (per active 64KB circuit	5
International Public Fixed (per call sign) (CFR Part 23)	240
International (HF) Broadcast (CFR Part 73)	240

HOW FULL TIME EQUIVALENTS (FTEs) WERE CALCULATED

(1) FTE allocations represent how the Commission anticipates FTEs will actually be spent during the course of the fiscal year.[26] Many factors influence how FTEs are actually employed during the year, including varying rates of attrition, speed of hiring new and replacement staff, the use of part time or temporary employees in lieu of permanent staff, changing Commission priorities, and reorganizations and other activities requiring a reallocation or reassignment of staff. The FTE allocations used in the fee development process have been updated to reflect a number of personnel reassignments made incident to recent reorganizations within the Commission. The impact on the fee development process is negligible since the reorganizations, although resulting in a reassignment of staff and functions, have not significantly changed the type of work the reassigned staff is performing.[27]

(2) Only the Commission's enforcement, policy and rulemaking, international, and user information activities are covered by the regulatory fee program.[28] Of the Commission's total of 2,271 FTEs, 846 FTEs are directly assigned to the agency's primary operating bureaus to perform enforcement, policy and rulemaking, international, and user information activities. An additional 560 FTEs have been identified by the agency as supporting these feeable activities.[29] The results of our FTE allocations are as follows:

Fee Category	FTEs
Mass Media	253
Common Carrier	689
Private Radio	103
Cable Services	361
Total	1406

(3) The total of the costs to be offset by regulatory fees in FY 1995 is $116,400,000. Each fee category was allocated its share of costs based upon the ratio of its FTEs to the total number of FTEs allocated to all regulatory fee categories. The results of this allocation of costs are shown below:

Fee Category	FTEs	%	Cost Allocation (in millions)
Mass Media	253	18.0	$20.9
Common Carrier	689	49.0	57.0
Private Radio	103	7.3	8.5
Cable Services	361	25.7	29.9
Total	1406	100.0	$116.4[30]

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[26] It should be noted that FTE allocations are year-end estimates and thus represent projected work time of on-board staff as well as new and replacement staff yet to be hired.

[27] The Commission has chosen to retain, for fee determination purposes, the fee classifications (i.e., Private Radio, Common Carrier, Cable Services and Mass Media) contained in 47 U.S.C. Section 159. Although we believe that we have authority to change the classifications to align them more closely with our current organizational structure, we wanted to minimize any adverse impacts to the schedule brought about solely by such a classification change.

[28] The regulatory fee program encompasses a total of 1,406 FTEs. The agency's Authorization of Service, Legal Services and Executive Direction Activities cover an additional 865 FTEs. Authorization of Service regulatory costs are recovered pursuant to Section 8 of the Communications Act.

[29] These support activities include a proportionate share of field operations, engineering and technology and certain general program support staff FTEs.

[30] May not add due to rounding.

DEVELOPMENT OF PRIVATE RADIO SERVICES REGULATORY FEES

Activity Cost Allocation: The Private Radio Activity was allocated 7.3% (103 FTEs) of the total 1,406 FTEs associated with all regulatory fee activities. The same percentage (7.3%) was applied to total regulatory fee activity costs ($116.4 million times 7.3% = $8.5 million).

Revision of Payee Unit Volumes: Payee volume estimates (units of payment) were updated for FY 1995. See Table #1 below.

Projected Revenue Using FY 1994 Fee Amounts & Revised FY 1995 Payee Units: Projected revenue for FY 1995 for Private Radio Activities using FY 1994 fee amounts was calculated by multiplying the updated payee volume in each fee category times the FY 1994 fee amounts. The resulting total revenue in these categories totaled approximately $19.8 million.

Pro-Rata Application of FY 1995 Revenue Requirement: Because projected revenues using FY 1994 fee amounts would have resulted in excess collections of $11.3 million ($19.8 million minus $8.5 million), proposed Private Radio fees for FY 1995 needed to be multiplied by 43% ($8.5 million divided by $19.8 million = 43%) so that revenue would better approximate the $8.5 million cost allocation for this Activity. Table #1 below shows cost allocations that were computed for each fee category within the Private Radio Activity:

Calculation of Fee: We then divided each of the above cost allocations by the applicable license term and then divided that result by the FY 1995 projected payee volume to determine the new fee requirement for each fee category within the Private Radio Activity:

CATEGORY	COST ALLOCATION	DIVIDED BY LICENSE TERM (YRS)	DIVIDED BY PAYEE VOLUME	EQUALS NEW FEE[31]
Land Mobile (220-222 MHz, 470 MHz and above, unless otherwise noted)	**$462,455**	**5**	**13,213**	**7**
Microwave	**225,400**	**5**	**6,440**	**7**
IVDS	**50,750**	**5**	**1,450**	**7**
Marine (Ship)	**5,070,420**	**10**	**169,014**	**3**
GMRS	**41,775**	**5**	**2,785**	**3**
Land Mobile (Other)	**1,396,275**	**5**	**93,085**	**3**
Aviation (Aircraft)	**1,130,430**	**10**	**37,681**	**3**
Marine (Coast)	**41,955**	**5**	**2,797**	**3**
Aviation (Ground)	**39,900**	**5**	**2,660**	**3**
Amateur Vanity Call Signs	**60,000**	**10**	**2,000**	**3**
Total	**$8,527,169**			

Table #1

[31] Rounded (applies to all tables).

Appendix E

DEVELOPMENT OF MASS MEDIA SERVICES REGULATORY FEES

Activity Cost Allocation: The Mass Media Activity was allocated 18.0% (253 FTEs) of the total 1,406 FTEs associated with all regulatory fee activities. The same percentage (18.0%) was applied to total regulatory fee activity costs ($116.4 million times 18.0% = $20.9 million).

Revision of Payee Unit Volumes: Payee volume estimates (units of payment) were updated for FY 1995. See Table #2 below.

Projected Revenue Using FY 1994 Fee Amounts & Revised FY 1995 Payee Units: Projected revenue for FY 1995 for Mass Media Activities using FY 1994 fee amounts was calculated by multiplying the updated payee volume in each fee category times the FY 1994 fee amounts. The resulting total revenue in these categories totaled approximately $17.6 million.

Pro-Rata Application of FY 1995 Revenue Requirement: Because projected revenues using FY 1994 fee amounts would have resulted in collections $3.3 million less than required ($20.9 million minus $17.6 million), proposed Mass Media fees for FY 1995 needed to be adjusted upward by 119.2% ($20.9 million divided by $17.6 million = 119.2%) so that revenue would better approximate the $20.9 million cost allocation for this Activity. Table #2 below shows cost allocations that were computed for each fee category within the Mass Media Activity.

Calculation of Fee: We then divided each of the above cost allocations by the FY 1995 projected payee volume to determine the new fee requirement for each fee category within the Mass Media Activity.

Revision to AM/FM Radio Fees: In the legislated FY 1994 fee schedule, AM & FM radio stations are distinguished by operational class (Class A, B, etc.). In order to provide a greater degree of progressivity for AM/FM fees, we added a simple market structure that further distinguishes small stations from large stations of the same operational class. In effect, we created two fees for each class or group of stations by distinguishing the fees to be paid by stations located in Arbitron ranked markets and those in remaining non-Arbitron markets. To calculate the new fees we first totalled the revenues required to be collected for each fee category contained in the FY 1994 schedule:

AM (Class A)	$82,775	FM(Class C,C1,C2,B)	$2,779,950
AM (Class B)	1,026,600	FM (Class A,B1,C3)	1,996,800
AM (Class C)	247,920	Total	$4,875,550
AM (Class D)	636,000		
Total	$1,993,295		

We determined that the most logical distinction between these kinds of stations is whether or not they are located in Arbitron ranked markets. Next, we quantified this market-based distinction by adopting a differentiation in fees similar to that between "remaining market" fees and larger market fees for television stations. We computed this relationship as follows:

(Markets 1-10 fee)+(Markets 11-25 fee)+(Markets 26-50 fee)+(Markets 51-100 fee) divided by 4 = Average Market fee. (Average Market fee) divided by (Remaining Markets fee) = Ratio

The resulting ratio for both VHF and UHF television stations is 2.7, meaning that stations in higher ranked markets, on average, pay 2.7 times what stations in remaining markets pay. For example, the computation for VHF television stations is:

($18,000 + $16,000 + $12,000 + $8,000)/4 = $13,500 ($13,500)/($5,000) = 2.7

We recognize that other ratios would also provide some degree of differentiation between large and small stations, but chose the 2.7:1 ratio in the belief that it best provides a meaningful separation between the two types of stations and keeps the calculation of individual fees relatively simple.

We also believe it would best serve the public interest to retain the relative relationships between each AM and FM fee classification contained in the legislated fee schedule utilized in FY 1994. For example, in FY 1994 a Class B AM station fee of $500 was exactly twice that of a Class D AM station ($250). We therefore retained the same relative values between the station classes for those fees associated with remaining markets.[32] As noted above, the fees for ranked markets were established at an amount equaling 2.7 times that of stations in remaining markets within each station class.

Since our overall methodology for calculating FY 1995 fees identified the costs which have to be recovered in each major fee category, including the AM and FM radio categories, we next performed a series of simple mathematical calculations to determine each of the individual AM and FM fees. The results of our computations

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[32] The relationship between fees assessed to the various classes of station follow the same relationship as the 1994 fees. For example, AM Class A stations were assessed $900 which was 4.5 times the $200 fee for AM Class C stations. The FM Class C, C1, C2 & B fee of $900 was 1.5 times the $600 fee for FM Class A, B1 & C3) stations.

are as follows:[33]

AM Class A/Arbitron Markets	$1,525
AM Class A/Non-Arbitron Markets	565
AM Class B/Arbitron Markets	$ 850
AM Class B/Non-Arbitron Markets	315
AM Class C/Arbitron Markets	$ 340
AM Class C/Non-Arbitron Markets	125
AM Class D/Arbitron Markets	$ 425
AM Class D/Non-Arbitron Markets	155
FM Classes (C, C1, C2 and B)/Arbitron Markets	$1,525
FM Classes (C, C1, C2 and B)/Non-Arbitron Markets	565
FM Classes (A, B1 and C3)/Arbitron Markets	$1,025
FM Classes (A, B1 and C3)/Non-Arbitron Markets	375

Category	Cost Allocation	Divided By Payee Volume	Equals New Fee[34]
AM Radio (Class A)	$82,775	77	1,075
AM Radio (Class B)	1,026,600	1,711	600
AM Radio (Class C)	247,920	1,033	240
AM Radio (Class D)	636,000	2,120	300
AM Radio (Construction Permit)	9,480	79	120

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[33] Individual fee amounts were computed by applying the ratios cited in Footnote #1 to the number of stations in each service category, and determining the base (lowest) fee given the amount of revenue allocated to the Mass Media services to be collected. Once we determined the base fee we then used the ratio between fees for different classes of service to determine the fees for each class. For example, we computed the FM fees as follows:

The 1994 fee for Class C, C1, C2 & B stations is $900 and is 1.5 times the $600 fee for Class A, B1, & C3 stations. This ratio was then applied to the non-Arbitron markets. Thus, the fees for the C, C1, C2 and B stations in non-Arbitron markets is also 1.5 times the fees for Class A, B1 and C3 stations in non-Arbitron markets. We then determined that there is a 2.7 to 1 ratio between the fee for television stations in the top 100 markets and in the remaining markets for FY 1994. We applied this 2.7 ratio to the fees for FM stations in Arbitron ranked markets and the fees for the same classes of stations in non-Arbitron markets. Thus, if the algebraic expression of x is the value of non-Arbitron market A, B1 and C3 stations, 2.7x is the value of Arbitron market A,B1 and C3 stations, and 2.7 (1.5x) or 4.05x is the value of Arbitron ranked C, C1, C2 and B stations. The estimated payee volume for C, C1, C2 and B stations is 2,481, of which 1,629 are located in Arbitron ranked markets and 852 are located in non-Arbitron markets. Likewise, the estimated payee volume for A, B1 and C3 stations is 2,586 of which 934 are located in Arbitron markets and 1,652 are located in non-Arbitron markets.

Algebraically, the fees are computed as follows:

$1{,}652x + (2.7x)\ (934) + (1.5x)(852) + (4.05x)(1{,}629) = \$4{,}553{,}865$

$x = \$377$

The calculated fees are rounded to the nearest $25 if over $1,000 and the nearest $5 if under $1,000. Thus, the FM fees are:

Class A, B1, C3 in non-Arbitron markets = $375
Class A, B1, C3 in Arbitron ranked markets = $1,025
Class C, C1, C2 and B in non-Arbitron markets = $565
Class C, C1, C2 and B in Arbitron ranked markets = $1,525

[34] Represents fee amounts resulting from application of mandatory adjustments. The cost allocations for AM and FM fee categories were subsequently totaled and used to calculate more progressive AM and FM fees incorporating a market structure basis. These calculations are shown in Footnote #2.

Category	Cost Allocation	Divided By Payee Volume	Equals New Fee
FM Radio (Classes C,C1,C2,B)	2,779,950	2,481	1,120
FM Radio (Classes A,B1,C3)	1,773,915	2,586	685
FM Radio (Construction Permit)	418,285	703	595
VHF TV (Mkt 1-10)	922,237	43	21,450
VHF TV (Mkt 11-25)	1,086,667	57	19,075
VHF TV (Mkt 26-50)	1,115,264	78	14,300
VHF TV (Mkt 51-100)	962,749	101	9,525
VHF TV (Remaining Mkts)	1,000,878	168	5,950
VHF TV (Construction Permit)	52,427	11	4,775
UHF TV (Mkt 1-10)	1,475,580	86	17,150
UHF TV (Mkt 11-25)	1,113,357	73	15,250
UHF TV (Mkt 26-50)	1,040,913	91	11,450
UHF TV (Mkt 51-100)	1,037,100	136	8,325
UHF TV (Remaining Mkts)	700,614	147	5,200
UHF TV (Construction Permit)	552,866	145	4,150
Auxiliaries	1,489,401	50,000	30
LPTV/Translators/ Boosters	1,375,956	8,554	160
Int'l Short Wave	4,528	19	240
TV Satellite (Any Mkt)[35]	60,172	101	595
TV Satellite (Construction Permit)[36]			200
Multipoint Distribution Service[37]			120
Total	$20,960,285		

Table #2

[35] The FY 1994 legislated fee schedule did not distinguish between full service television stations and satellite television stations. Although final legislation has not yet been passed by the Congress to assess satellite stations a reduced fee, the House of Representatives did pass legislation establishing a $500 fee for satellite stations in FY 1994. While not legally binding, we used the $500 House passed fee as a "simulated" FY 1994 fee in order to calculate a FY 1995 fee for satellite stations.

[36] Unlike other fees proposed for FY 1995, the TV satellite station construction permit fee of $220 was determined by taking the average fee for UHF & VHF television stations ($12,655) and relating it to the average UHF/VHF construction permit fee ($4,300). Using the same relationship (.340 to 1) for satellite television stations results in a computed fee of $200 (rounded) for satellite television station construction permits ($595 times .340).

[37] The fee for single-channel and multi-channel Multipoint Distribution Service (MDS & MMDS) was developed as part of the Domestic Public Fixed Radio Service, a common carrier service. Regulation of the MDS and MMDS services was subsequently transferred to the Mass Media Bureau.

Appendix F

DEVELOPMENT OF CABLE SERVICES REGULATORY FEES

Activity Cost Allocation: The Cable Services Activity was allocated 25.7% (361 FTEs) of the total 1,406 FTEs associated with all regulatory fee activities. The same percentage (25.7%) was applied to total regulatory fee activity costs ($116.4 million times 25.7% = $29.9 million).

Revision of Payee Unit Volumes: Payee volume estimates (units of payment) were updated for FY 1995. See Table #3 below.

Projected Revenue Using FY 1994 Fee Amounts & Revised FY 1995 Payee Units: Projected revenue for FY 1995 for Cable Services Activities using FY 1994 fee amounts was calculated by multiplying the updated payee volume in each fee category times the FY 1994 fee amounts. The resulting total revenue in these categories totaled approximately $21.5 million.

Pro-Rata Application of FY 1995 Revenue Requirement: Because projected revenues using FY 1994 fee amounts would have resulted in collections $8.4 million less than required ($21.5 million minus $29.9 million), proposed Cable Services fees for FY 1995 needed to be adjusted upward by 139% ($29.9 million divided by $21.5 million = 139%) so that revenue would better approximate the $29.9 million cost allocation for this Activity. Table #3 below shows cost allocations that were computed for each fee category within the Cable Services Activity.

Calculation of Fee: We then divided each of the above cost allocations by the FY 1995 projected payee volume to determine the new fee requirement for each fee category within the Cable Services Activity.

CATEGORY	COST ALLOCATION	DIVIDED BY PAYEE VOLUME	EQUALS NEW FEE
CARS	$635,288	2,082	305
Cable Television Systems	29,251,199	57,000,000	.51
Total	$29,824,911		

Table #3

DEVELOPMENT OF COMMON CARRIER SERVICES REGULATORY FEES

Activity Cost Allocation: The Common Carrier Activity was allocated 49.0% (689 **FTEs)** of the total 1,406 **FTEs associated with all regulatory fee activities. The same percentage** (49.0%) was applied to total regulatory **fee activity costs ($116.4 million times 49.0% = $57.0 million).**

Revision of Payee Unit Volumes: Payee volume estimates (units of payment) were updated for FY 1995. See Table #2 below.

Projected Revenue Using FY 1994 Fee Amounts & Revised FY 1995 Payee Units: Projected revenue for FY 1995 for **Common Carrier Activities using FY 1994** fee amounts was calculated by multiplying the updated payee volume **in each fee category times the FY 1994 fee amounts.** The resulting total revenue in these categories totaled **approximately** $26.1 million.

Pro-Rata Application of FY 1995 Revenue Requirement: Because projected revenues using FY 1994 fee amounts **would have resulted in collections $30.9 million less than required** ($57.0 million minus $26.1 million), **proposed Common Carrier fees for FY 1995 needed to be adjusted** upward by 218.9% ($26.1 million divided by $30.9 million = 218.9%) **so that revenue would better approximate the** $57.0 million cost allocation for this **Activity. Table #4 below shows cost allocations that were** computed for each fee category within the Common Carrier Activity.

Calculation of Fee: We then divided each of the above cost allocations by the FY 1995 projected payee volume **to determine the new fee requirement for each fee** category within the Common Carrier Activity:

Category	Cost Allocation	Divided By Payee Volume	Equals New Fee
Domestic Public Fixed Radio	$158,894	1,320	120
Cellular/Public Mobile Radio	4,464,803	34,000,000	.13
International Public Fixed Radio	4,815	20	240
VSATs/Mobile Earth Stations	57,386	437,000	.13
Earth station Antennas (Tr & T/R)	3,553,239	19,100	185
Earth Station Antennas (Receive)	4,128,849	34,300	120
Space Stations	4,979,131	35	142,250
IXC,LEC,CAPS,Other Providers	39,395,321	300,000,000	.13
International Circuits	298,529	62,000	5
Total	$57,081,566		

Table #4